

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6022

BILL NUMBER: SB 548

NOTE PREPARED: Oct 27, 2004

BILL AMENDED:

SUBJECT: Use of Auctioneer for Tax Sales.

FIRST AUTHOR: Sen. Kruse

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires a licensed auctioneer to conduct the sale of real property for delinquent property taxes or under a tax warrant.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: According to current law, a county sheriff *may* engage an auctioneer to sell property in order to collect a judgement arising from a tax warrant. This bill would make it so that if the property being sold is real property, the sheriff would be *required* to engage an auctioneer to sell the real property.

After a tax sale where a county sheriff engages an auctioneer, the auctioneer is to be paid from the gross proceeds of the sale before other expenses and the judgement are paid. The net proceeds are then used to pay respective portions to the Department of State Revenue, the county treasurer and the clerk of the circuit or superior court, and the sheriff's collection fee of 10%. The collection fee is deposited in the county's general fund if the sheriff has entered a salary contract with the county.

When an auctioneer is engaged for a sheriff's tax sale, the net proceeds could either increase or decrease depending on the sale price the auctioneer is able to bring for each piece of personal property. For this reason, the fiscal impact of this provision of the bill is indeterminable.

The State Department of Revenue reports that as of October 26, 2004, more than 157,934 sheriff's warrants were outstanding and were worth approximately \$154,219,896. These funds are distributed in both dedicated accounts and the general fund, depending on the type of tax warrant issued.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill also requires county treasurers to contract with an auctioneer to sell real property when it is delinquent in taxes or special assessments. This bill makes it explicit that the expenses incurred by the county to contract an auctioneer are considered an actual cost to be included in the sale price of the property. Current statute also considers this expense as part of the sale price as it provides that a county may not sell the property for an amount that is less than the:

- delinquent taxes and special assessments;
- taxes and special assessments due on the property in the year of the sale;
- penalties;
- costs incurred by the county due to the sale;
- unpaid costs due from a prior tax sale; and
- other reasonable expenses.

The fiscal impact to the county, when it contracts with an auctioneer, would also be dependent on the sale price the auctioneer can bring for a piece of property and whether that price increases or decreases the net proceeds of the sale.

At least 75 of the 92 counties in Indiana contract with an auctioneer to hold the treasurer's tax sales. Other counties may have in-house resources to hold a tax sale without the help of an auctioneer.

State Agencies Affected: State Department of Revenue.

Local Agencies Affected: County Treasurers.

Information Sources: Joe Edward, SRI, 842-5818; James Chandler, Department of Revenue, 232-2162.

Fiscal Analyst: Valerie Ruda, 317-232-9867.